

Message Text

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E.O. 11652:N/A

TAGS:EWWT, UR, US

SUBJECT: MARINE INSURANCE

REF: MOSCOW 11627

1. THE FOLLOWING IS BACKGROUND ON THE MARINE CARGO
INSURANCE ISSUE REQUESTED REFTEL:

2. AT FEBRUARY 1977 SESSION OF US-USSR MARINE CARGO
INSURANCE TALKS, US DELEGATION CONTINUED TO PRESS SOVIETS
ON NEED FOR AGREEMENT ON INTERGOVERNMENTAL LEVEL TO INSURE
PARTICIPATION OF US UNDERWRITERS IN THE BILATERAL TRADE.
WHILE SOVIETS HAD AGREED IN OCTOBER 1975 TO NEGOTIATE THE
QUESTION, THEY HAVE REFUSED THUS FAR TO AGREE ON ANY
FORMULA GUARANTEEING US PARTICIPATION, ARGUING INSTEAD THAT
US UNDERWRITERS HAVE NOT EXHAUSTED COMMERCIAL SOVIET
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CHANNELS AND HAVE NOT DEVOTED ENOUGH ENERGY TO INFORMING
SOVIET FTO'S OF THEIR SERVICES.

3. INTERMINGLED WITH SOVIET RECALCITRANCE TO DISCUSS
SERIOUSLY ANY TEXT THAT WOULD ACKNOWLEDGE THE PARTICIPATION
OF US UNDERWRITERS ON A FAIR AND EQUITABLE BASIS HAS BEEN
AN ATTEMPT BY THE SOVIETS TO INTRODUCE THE WHOLE GAMUT OF

US-USSR INSURANCE SERVICES INTO THE TALKS, WIDENING THE AGREED SCOPE OF THE TALKS. THEY HAVE ALSO ATTEMPTED TO INTRODUCE THE SUBJECT OF REINSURANCE INTO THE DISCUSSIONS. THE US SIDE HAS RESISTED THESE ATTEMPTS AND FOCUSED EXCLUSIVELY ON MARINE CARGO INSURANCE. THE US UNDERWRITERS INVOLVED DEAL ONLY WITH MARINE INSURANCE AND ARE NOT COMPETENT TO DISCUSS OTHER FORMS OF INSURANCE.

4. US ARGUMENTS IN SUPPORT OF ITS POSITION INCLUDE THE FOLLOWING:

A. THE EXCLUSION OF US UNDERWRITERS FROM THE US-USSR BILATERAL TRADE IS INCONSISTENT WITH THE AGREEMENT OF BOTH COUNTRIES TO BROADEN AND DEEPEN TIES IN THE FIELD OF COMMERCIAL AND ECONOMIC RELATIONS. REMOVAL OF THIS RESTRICTIVE TRADE PRACTICE, THEREFORE, IS DESIRABLE IF US-USSR TRADE RELATIONS ARE TO DEVELOP NORMALLY.

B. FAILURE OF US UNDERWRITERS TO PARTICIPATE IN THE TRADE HAS RESULTED IN PREMIUM LOSSES AMOUNTING TO OVER 11 MILLION DOLS IN BASIC CARGO INSURANCE AND FORCED US VESSEL OPERATORS TO PAY A HALF-MILLION DOLLARS MORE IN OVERAGE INSURANCE THAN THEY WOULD HAVE PAID IF THEY HAD NOT BEEN FORCED TO PURCHASE ON LONDON SCALE.

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C. THE EXISTING SITUATION MAY RESULT IN THE US MARINE CARGO INSURANCE INDUSTRY PETITIONING CONGRESS OR STR FOR RELIEF. IN EITHER CASE UNNECESSARY RECRIMINATIONS WOULD RESULT TO THE DETRIMENT OF US-SOVIET RELATIONS.

D. THE US MARINE INSURANCE INDUSTRY IS COMPETITIVE WITH ITS SOVIET COUNTERPART AND UTILIZATION OF ITS SERVICES WOULD RESULT IN NO ADDITIONAL COSTS TO SOVIET CUSTOMERS.

E. SINCE US UNDERWRITERS, LIKE US SHIPOWNERS, HAVE LITTLE POWER IN NEGOTIATING WITH THE SOVIET GOVERNMENT AND ITS VARIOUS ENTITIES IT IS NECESSARY FOR THE US GOVERNMENT TO ASSUME THEIR INTERESTS AND NEGOTIATE FOR THEM, EVEN THOUGH THE US GOVERNMENT WOULD PREFER THAT THE MATTER BE RESOLVED THROUGH NORMAL COMMERCIAL CHANNELS.

5. REFTTEL MENTIONS THAT 63 PERCENT OF SOVIET EXPORTS TO THE US WERE INSURED BY NON-SOVIET INSURERS. WHILE SUCH MAY BE THE CASE, 63 PERCENT OF SOVIET EXPORTS CONSTITUTES A RELATIVELY SMALL PORTION OF THE US-USSR BILATERAL TRADE, AND IN ANY CASE THERE IS NO EVIDENCE THAT SUCH EXPORTS WERE INSURED BY US UNDERWRITERS.

6. DISUCSSIONS IN LONDON IN FEBRUARY CLOSED WITH AN
INVITATION BY MFT DEPUTY MINISTER IVANOV FOR US
UNDERWRITERS TO VISIT SOVIET FTO'S IN ATTEMPT TO SELL
THEIR SERVICES; WHICH IVANOV MAINTAINED HAD NOT BEEN
AGRESSIVELY SOLD THUS FAR. US AGREED THAT SUCH VISIT
MIGHT BE USEFUL IF IT WERE ACCOMPANIED BY SOVIET AGREEMENT
TO EVALUATE SUCH A VISIT AT THE NEXT MEETING BETWEEN US
AND SOVIET NEGOTIATORS. IVANOV AGREED AND US SIDE
PROCEEDED TO ASSIST UNDERWRITERS IN PURSUING VISI,. VANCE

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 17-Aug-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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